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S.E.S. NEWS-letter

Internal Communications Medium of

**THE SCHOOL OF ECONOMIC SCIENCE
AND SOCIAL PHILOSOPHY**

#402, 535 - 13 Ave. S.W., Ph. 262-4135
CALGARY 3, ALBERTA, CANADA

Letter No. 17, March 5, 1970. Copies mailed 311. Cost: \$28.12

YOU ASKED FOR IT

Yes, you asked for it, so here it is. A panel discussion on a controversial subject! And with lots of participation.

The topic - one of those voted most popular by the group in January - "Poverty and Unemployment". With Gaye Shaw as chair-lady and Rick Harrop (67), Geo. Stables (69), Edna Holbrook (68), Jacq. Schultz (70), Gerry Shaw (68) and Lorne Reed (69) (all graduates as indicated) as panel members we shall hear some varied and thought-provoking viewpoints. And then the rest of us will join in the discussion (those of us who wish to do so).

Mark this on your calendar right now. Remember: Central YMCA, 332 - 6th Ave. SW, at 8:00 p.m., Friday March 13th.

LAST MEETING - FEBRUARY 13, 1970

Money has a fascination for most of us so this made Con Pfeifer's talk on Monetary Systems a natural. Ralph Hargraves acted as leader for the discussion period which was one of the liveliest we've had to date. An evening which gave us something to think about. (See copy of the address attached).

FLASH! DON'T MISS THIS ONE

Dr. McLachlan from the University of Alberta, who has made a special study of the subject "Monopolies and Cartels", has consented to be our guest speaker for the April 10th meeting. J.M.

BITS AND PIECES

Jean and Robert Boettger are moving to Victoria. Robert is there now and Jean will be joining him in May. Their address will be 1300 Yates Street, Victoria B.C.

Brian MacDonald of Dun and Bradstreet is joining the Calgary Chamber of Commerce.

Andy Williamson and Jim Ramsay attended a C. of C. luncheon recently where the speaker was G. Warren Heenan, Past president of the Toronto Real Estate Board. His topic was "The Effect of Rapid Transit on Real Estate Development". We obtained a copy of his speech and it will be reproduced soon. It will raise your eyebrows. A small sample: "The total cost of Canada's first subway including right-of-way, rails electrical distribution system, signal system and rolling stock was \$67,000,000. This small investment ignited a \$10 billion development explosion along the route from Front and York Streets to its northern terminal, Eglinton Ave. The appraised value of all the land and facilities in Metropolitan Toronto is now \$50 billion. \$15 billion of this appreciation in physical value has been added in the last 10 years and two-thirds of this is attributable to the existence of the Yonge Street Subway.

"Properties along the subway route doubled and tripled and sometimes increased as much as tenfold in value. Land prices would have increased anyway, but sales at \$125 to \$150 per square foot near the downtown stations became commonplace". (Ed. There's just no stopping that old Ricardo's Iron Law of Rent, is there.)

Have you read any good books lately that you would like to recommend to others? This Newsletter is open-ended and can be as long or as short as you care to make it.

Much of the work of the Communications Committee work is of necessity not publicized before it takes place, but we hope to give you as full a report as discretion will allow at all times.

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AN OUTSTANDING CONFERENCE PLANNED FOR 1970

The Alberta conference committee reports that plans are well under way for a unique annual Henry George Conference in Calgary from July 7th to July 12th. It is a 3-way attraction with good solid conference sessions, a full day excursion to Banff and Lake Louise in the Rocky Mountains and a chance to visit the world famous "Calgary Stampede".

Alberta has the distinction of collecting more economic rent for public purposes than any other political division in North America. All that mineral and oil revenue is harnessed for the benefit of all its citizens.

Calgary is only 300 miles from Great Falls, Montana; and Alberta and Montana have no sales tax. No other province and few other states can make that claim.

You who are coming up from the States will be pleasantly surprised to know that your American dollar will go about 12% further in Alberta. This fact is explained by the premium of 7% paid on American money and the fact that there is no sales tax, no hotel room tax, nor any other nuisance tax in Alberta. When shopping or ordering a meal, the price shown is the price you pay. No more.

A special presentation of "The Alberta Story" outlining the collection of Economic Rent - past, present and future - will be given by the graduates of the school to show why Alberta is debt free. It is the last frontier of economic freedom. All this and beautiful scenery too.

Rooms are at an absolute premium during "Stampede Week" as it is like New Orleans during Mardi Gras. The Alberta school has reserved a block of rooms for conference delegates, but you will have to make reservations immediately to ensure yourself a place to stay. You can reserve directly by sending a one-day deposit to the Palliser Hotel, 133-9th Ave. S.W., Calgary 2, Alberta, and mention you are with the Henry George Conference. Rates are: Single, \$14.00, \$16.50 and \$18.50; and, Double (twin beds, unless otherwise specified) \$18.00, \$20.50, and \$22.50. (All in Canadian Funds which means 7% off and no tax). Free parking

for those arriving by car. May we suggest you double up wherever possible. If you wish to stay on after the conference and into the second week of the stampede, no single rates apply and a further one day's deposit is required on the room.

The "Stampede Parade", watched by some 300,000 visitors, and shown on film at the Montreal conference, takes place on Monday, July 13th and is well worth staying over the extra day to see. You might even see Burl Ives or any one of a dozen other personalities staying at the Palliser.

If anyone requires further information or help with your vacation plans to fit in with the conference don't hesitate to write to Jim Ramsay, School of Economic Science, #402, 535 - 13th Ave. S.W. Calgary 2, Alberta. Or if you wish you can contact The Alberta Tourist Association, 105 - 8th Ave. S.E. Calgary 21.

We will be only too pleased to help you with routes, prices, places to go, things to see, brochures or anything else you would like to know about.

Remember you can have an enjoyable holiday along with an enjoyable conference and do it for 12% less than if you stayed at home.

Just say **GEORGE SENT ME** to Calgary in 1970.

Tentative Conference Program as of March 3. Subject to change.

1970 26th Annual Conference Henry George Schools of North Am.

Hosted by The School of Economic Science and Social Philosophy

Tues. July 7 - Sun. July 12, Palliser Hotel, Calgary 2, Alberta

Theme: "Advance and Consolidate"

Tuesday, July 7th

7:30 p.m. LET'S SOCIALIZE. Informal get together to meet old friends and make new friends.

Wednesday, July 8th

9:30 a.m. - 12:15 p.m.

1. YOU CAN'T RUN A CLASS WITH "NO STUDENTS"

An inquiry into methods of maximizing the number of students enrolling in classes.

2. WE'RE GOING TO BUILD US AN IMAGE

An inquiry into the image that the school presents to the community at large.

2:30 p.m. - 5:30 p.m.

REPORTS FROM THE "SHOCK" TROOPS

Various reports from people who are actively engaged in the field trying to implement basic reforms. Their experiences, their victories and their failures.

8:00 p.m. - 10:00 p.m.

THE ALBERTA STORY

A presentation dealing with the collection of economic rent in Alberta. When it started. Where it is now. The future.

Thursday, July 9th

9:30 a.m. - 12:15 p.m.

1. EFFECTIVE COMMUNICATION

The true meaning of "learning". It is not enough to get the message into their hands; we must get it into their minds.

2. THE STAGE IS YOURS

Important messages from those who wish to be heard on a wide range of topics not otherwise covered.

Free afternoon and evening to visit the Stampede Grounds or simply meet and renew old acquaintances.

Friday, July 10th

9:00 a.m. Trip to Banff and Lake Louise.

12:15 p.m. Luncheon with speaker at Chateau Lake Louise.

1:45 p.m. Visit to Moraine Lake and Valley of Ten Peaks.

6:00 p.m. Barbecue at Rafter 6 Guest Ranch with speaker.

Saturday, July 11th

9:30 a.m. - 12:15 p.m.

1. WE HAVE OUR SHEEPSKINS, WHAT DO WE DO NOW?

What do we do with graduates? What do they do with us? Why should they bother to continue their association with the school? They now have their economic education. What else is there.

2. WHO IS THE BAGMAN?

From whence can we expect continued support? What satisfactions must the "giver" receive? Is there a selfish reason for supporting the school? Unselfish?

2:00 p.m. - 5:00 p.m. (early for banquet following)

REPORTS FROM OUTSIDE GROUPS.

What has been happening in the past year in all of the many areas that are ex-school. Each individual is a light and a power. We want to see the light and hear about the power.

6:00 p.m. - 7:00 p.m.

Social Hour with refreshments.

7:00 p.m. - 10:00 p.m.

Banquet with distinguished guest speakers.

Sunday, July 12th

10:00 a.m.

CONFERENCE SUMMARY

Bon voyage.

AN ADDRESS DELIVERED TO
THE MONTHLY MEETING OF
THE SCHOOL OF ECONOMIC
SCIENCE, February 13, 1970

NATIONAL AND INTERNATIONAL MONETARY SYSTEMS

by Conrad Pfeifer

The history of money reaches back into the earliest times of civilization. Our present day financial and monetary system however dates from the latter part of the seventeenth century when the Bank of England was established in 1694, and developed to its present day dimension and significance contemporaneously with the industrial revolution. It is considered to be the major factor in the development of our society into such a high state of industrialization due to the profit motive inherent in the capitalist and competitive economic structure.

The financial industry in itself is a sterile industry in so far that it does not contribute anything in the way of raw materials or productive effort to supply the basic human necessities of food, clothing, shelter, education and recreation. Finance can be considered as sort of a framework or trellis to which the business and industrial establishment clings and which supports its growth. If money and finance were suddenly removed from our business world, our economy and our society would collapse in chaos, and we would revert back to a primitive barter system with very little left to barter.

In discussing our subject of National and International Monetary Systems, we will take a look at our own Canadian financial and banking system as it is representative of the pattern of the free-enterprise, private profit capitalist economy of the western democratic world to which we belong. To begin, we will try to define money in a meaningful way. We all use money and we know what it will do for us. But we seldom ponder about its elements and qualities, wherefrom it derives its value, where it comes from and where it eventually disappears to, although it is common knowledge that money does not grow on trees and everybody knows that it goes down the drain.

Money

Money is a product of man's imagination. It is not a fact of nature like land or outer space which we have to accept just because they exist. Man creates money and man can annul it. He is in full control of it and has the power to adjust it to best suit human needs. To describe money by its appearance as a piece of paper of a certain size and color with printing on both sides leaves out its most important part, which is its function. Money is the means by which business transactions operate above the barter level. Money serves as the medium of exchange. It flows in the opposite direction to that of goods and services whose value is measured in dollars, or in the national money units of other countries.

Money is a measure of value. Value is an abstract quality and is difficult to define in terms of an exact quantity. When a poet says "beauty is in the eye of the beholder", the economist can say "value is in the mind of the buyer". Our Canadian dollar is valued in terms of the U.S. dollar, and the U.S. dollar represents the value of 1/35th of an ounce of gold at a price of \$35. per ounce. This price is fixed by the U.S. government. To define the dollar in this way as a unit measure of value, is a concession to the traditional belief in the value of gold, rather than in it is a scientific way of establishing a standard of measurement whose quantity remains constant. However our dollar is a unit whose value stands for a certain quantity of gold, and as such it is a unit measure of value in the same sense as a yard is a unit of length, a pound a unit of weight, or a gallon a unit of volume and a horsepower a unit of energy.

A third element of money is that it is also a commodity. It has a price tag on it in the form of interest which must be paid if it is to be used in the business world. Money can be bought and sold: it can be saved and accumulated for relending, and it can be manipulated to create fortunes. It creates in addition to the banking business, a large financial industry with auxiliary and dependent activities and ventures whose main purpose is to use money to make more money.

As a medium of exchange, our dollars are in the form of paper tokens, or bank notes, in value-denominations of various amounts, and metal coins to represent different fractions of a

dollar. The source of our money is the Bank of Canada. The inscription on the bank notes states that the "Bank of Canada will pay to bearer on demand" whatever the amount of a particular bill may be. On first thought the meaning of this statement may seem a little vague, and a person may wonder why does the Bank of Canada want to pay you, and on demand yet, when obviously you already have been paid; otherwise how come you have the money in your hand.

This promise to "pay bearer on demand", it is explained by the research department of the Bank of Canada, derives from section 22 of the Bank of Canada Act which provides for the redemption in gold of the Bank's notes. However, this provision has been suspended ever since the Bank of Canada commenced operations, and since it is not required to convert its notes into gold or anything else, the statement in question has no practical meaning. In other words, our money is simply the Bank of Canada's IOUs, and since they are issued under authority of the federal government and represent value, they are exchangeable for the goods and services which the people need and want.

The Bank of Canada

The institutions for the administration of our monetary system are headed by the Bank of Canada. This bank is owned by the government, its shares being held in the name of the Minister of Finance. Its board of directors consists of a governor, a deputy governor and 12 directors appointed by the government, 2 each from Quebec and Ontario, and 1 from each of the other provinces. The government is represented on the board by the Minister of Finance, who is also a director but has no vote. The government exercises no control over the business of the bank other than through monetary policy.

While the bank is owned by the people of Canada, they nevertheless do not have the privilege to deal with it directly. The Bank of Canada is the banker's bank. It functions as the supply house, or wholesaler of money for the chartered banking corporations. Its IOUs, or bank notes, become money on being registered when they are issued to the chartered banks. They are then "legal tender" and valid as money, and can go into circulation by way of interest bearing loans.

Chartered Banks

The banks with which industry, business and people as individuals deal, are the privately owned banking corporations. The Bank Act is their charter to carry on business. There are 10 of them with around 6,500 branches throughout the country. Our chartered banks perform a two-fold function. They are savings banks where the people can deposit their money for safekeeping, and they are commercial banks for the loans of money to finance business and industry. Chartered banks are privately owned corporations and they are in business to make a profit for their shareholders.

Any group of citizens of the country are privileged to incorporate a bank if they so desire. The incorporation requirements are set out in the Bank Act, and the capital stock of a bank shall not be less than one million dollars, divided into \$10. shares.

Before a bank can operate, it must keep on deposit with the central bank, the Bank of Canada, a cash variable from one-eighth to one-twelfth, of its deposit liabilities. This measure is intended to safeguard the depositor's money, and to control and limit the lending power of the banks. The more money a bank has on deposit, the more it can lend out, the ratio always being from eight to twelve times the amount on deposit, depending on the state of the economy. Please note now, here is a situation a little difficult to rationalize. The money which a bank has, it deposits with the Bank of Canada. But the money which it hasn't got, it lends to its customers. This is a somewhat similar policy, but sort of in reverse to that practised by life insurance companies which in effect says, give us your money while you are alive, and we will give you ours when you are dead.

In hope and in good faith, we democratically elect our government and expect it to formulate policies and enact laws for our protection and our material welfare. But the most potent power, and the most effective tool for the enforcement of these policies and enactments, it places into the hands of private institutions to be used for their own profit and benefit. A most influential European financier, Amschel Rothchild, and founder of a powerful banking institution in the latter half of the seventeen hundreds said: "Let me issue a nation's currency and I care not who

writes it laws". The government abdicates sovereignty over the economy when it delegates this power to be used for private advantage, and the consequences to the people can be likened to what would happen if a Sultan appointed a Romeo to guard the harem.

Loans

The most important function of our chartered banks is the lending of money. All money comes into circulation from them by way of interest-bearing loans, usually repayable on short terms. Bank loans create new money and put it into circulation, and the repayment of those loans takes the money out of circulation again and annuls it to the amount of the principal. Not annulled however is the amount of the interest; this money becomes part of the bank's funds, and as money, is now a claim against the real wealth of the nation. This money can not be spent out of circulation. It always shows as somebody's income.

Money would be useless as a medium of exchange if it did not have to repaid. The force that keeps it in circulation and causes it to pass from hand to hand, stems from the borrower's obligation to repay. From the day he spends the money, the borrower must endeavor to get it back to avoid the consequences of default, thereby keeping alive the demand for it; a demand of which we all are only too keenly aware.

Interest

As business institutions, the first requirement of banks is to have an income and to make a profit, if they expect to stay in business, and the main source for this is the interest charges on the money they lend out. The money which comes into being through interest, becomes a permanent addition to the money supply in the economy. With certain modifications, the money supply at any given time, is considered to be the amount of outstanding and unrepaid bank loans.

Interest-created money however, loses its essence as a medium of exchange and also its value as a commodity after its first round in circulation, because there is no longer a borrower's obligation attached to it. It is worthless "funny" money, and as the amount grows and accumulates in the course of time, it dilutes and weakens the sound borrowed money which is in circulation. The effect can be likened to adding a little water to the

bottle of whiskey every time you take a drink. The bottle will always have lots in it, but the stuff will get so weak eventually, it won't be worth drinking. The shrinkage in the purchasing power of the dollar is evident in the long history of steadily rising prices, and here most likely is to be found the root cause of inflation and the reason for the price-wage spiral.

It is estimated that nearly a third of the price structure in our economy consists of interest on borrowed money, so that, on average, one third of the money the consumer spends on living expenses goes to pay interest. Consider for a moment an example relating to the price of a suit of clothes. Interest was paid on the money invested in the sheep producing the wool; interest on the money for the grazing land; interest on the money that paid the shearers, and that marketed the wool; interest on the dealer's establishment that bought the wool, on the railroad that carried it, on the factory that manufactured the suit, and on the retailer who distributed it. Interest all the way down, and the consumer paid it, but the people who supplied the materials and performed the labor in its production did not get the money.

Here is another example in the recent purchase of a home by a young married couple starting out to make a home and raise a family. The cost of the house and lot was \$21,695 on a 35 year mortgage with monthly payments of \$225.85. Annually the payments amount to \$2,709.20, with only \$620 going towards the actual cost of the home, but \$2,089 to pay the interest on the money, and this does not include any interest paid in producing the materials or money borrowed by the contractor. The total cost of the house when it is fully paid for will be \$94,822, the interest being \$73,127, but the people who supplied the materials and the skill and labor to build the house do not receive the money.

As a third example consider the public debt of Canada. On confederation, 100 years ago, it was \$93,000,000; today it is \$22.5 billion. For the most recent 10 year period for which complete figures are available, 1958 to 1967, interest paid was a little - a few millions - over \$8.5 billion, and the interest for last year alone amounted to \$1.5 billion. This figure works out to over \$75 per capita, or on the average family of four, over \$300 for the year. A reasonable estimate of interest paid since confederation would be \$10 billion. The taxpayers did not receive

value for this money, and the people in government and our politicians did not get it - or did they? A little something for interest is usually included in the price of whatever you buy, even if it is only a loaf of bread, a bottle of wine and a little "thou", and you don't go to the bank for any of these.

International Banking

Banking and financial houses, being in business for profit, will naturally take advantage of opportunities for doing profitable business where ever they may be. In common with other business and commercial ventures, banks will open branches in foreign countries where the laws of the land will permit. In foreign banking business Canada ranks third largest, after the U.S. and Britain. Internationally however, banks operate as individual institutions, and an international monetary system as such does not exist.

The closest approach to an international monetary system is the International Monetary Fund. This is an organization of the central banks of the capitalist nations for the settlement of international trade balances. At present the Fund has 116 members with headquarters in New York. Each member nation has a quota in the fund made up of a subscription partly in gold and partly in its national currency. In addition to settling international trade balances, the fund aims towards greater uniformity in exchange rates and currency stabilization. It has no power to dictate national monetary policy on its members.

Summary

In condensed outline, these are the essential elements and principles in the capitalist monetary system. The application of these factors in our economic structure, and their interaction with human nature produces an impact on our society which characterizes it as overly materialistic and money-mad. Our system produces a staggering amount and variety of consumer goods, but our monetary exchange system is hampered in its ability to effect a more just and equitable distribution of these products. We have over-abundance and affluence on the one hand, and want and poverty on the other, with crime and violence stemming from both. If our society is blind and indifferent to the cause of these conditions, let's stir it up and keep trying for changes in the ground rules so as to make this a better and a happier world to live in for more people. (Discussion followed).

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ONTARIO TELLS HOW TO STOMACH TAXES

Toronto (CP) - Come along to a Chinese restaurant with the Ontario department of revenue to see how easy a tax is to understand.

The department's new tax bulletin, "helpful information in an understandable easy-to-read presentation," wants to take A, B, C and D to the Gung Ho restaurant.

"A orders Chow Guy Pan - \$2 - B orders Wat Har Kew - \$2 - C orders Leung Bun Opp - \$3 - and D orders Sai Woo Yee - \$3.

"There is no tax on the first two dishes but there is a tax on the last two dishes," the bulletin says in an explanation of how Ontario's 10 per cent sales tax applies to meals.

"Alas, the tax applies even if A, B, C, and D share these delectable dishes.

"If, however, A invites B, C and D to his house and he orders the same dishes delivered then the tax does not apply. Why. Because the items now become 'food products' (meals prepared for eating off the premises) rather than 'prepared meals' which is a different kettle of egg drop soup."

For those who don't like Chinese food in the first place, the bulletin says the family can go to Ol Sally's Seafood Drive-in and "order the family barrel of whale blubber at \$3.10 and be exempt from tax.

- The Calgary Herald, Feb. 28, 1970

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